

1st Cavalry Division In-Theater Business Transformation Roundtable

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The democratically elected government of Iraq has articulated a clear vision for the country. The Vision is to: “Transform Iraq into a peaceful, unified federal democracy and a prosperous, market oriented regional economic powerhouse that is fully integrated into the global economy.” This ambitious Vision can only be achieved by a market-oriented economy. One that is open to the world, driven by the ingenuity and creativity of private enterprise, founded on the rule of law, and led by a federal, democratic, transparent, and accountable government.

-From the Iraqi National Development Strategy 2005-2007, 30 June 2005

Economic growth and reform of Saddam-era laws and regulations will be critical to ensuring that Iraq can support and maintain the new security institutions that the country is developing, attract new investment to Iraq, and become a full, integrated member of the international economic community.

Economic growth and market reform – and the promotion of Iraq’s private sector are necessary to expand job opportunities for the youthful Iraqi population and decrease unemployment that makes some Iraqis more vulnerable to terrorist or insurgent recruiting.

-From the U.S. National Strategy for Victory in Iraq, November 2005

BACKGROUND

The Civil Military Integration Team of the United States Army Peacekeeping and Stability Operations Institute (PKSOI) participated in the 1st Cavalry Division In-Theater Business Transformation Roundtable, 25-26 September 2006 at Killeen, Texas. According to the November 2005 Department of Defense Directive 3000.05, “Military Support for Stability, Security, Transition, and Reconstruction (SSTR) Operations,” SSTR operations must now be given equal consideration to major combat operations during the planning phase of operations. An essential element of both the U.S. and Iraqi national strategies for Iraqi development, coupled with the current emphasis on the importance of support and stability operations, clearly articulates the requirement for an economic development component. This requirement provided the overarching basis for this highly successful event. The 1st Cavalry’s report of this event is available at: <http://www.idb.org/docs/1stCavReportofProceedings.pdf>

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The roundtable was sponsored by the Business Transformation Agency at the U.S. Department of Defense and was organized by the Institute for Defense and Business in Raleigh, North Carolina. In addition to the 1st Cavalry Command team, subordinate Brigade Staff Officers, and Non-Commissioned Officers, the roundtable participants included representatives from:

- DoD
- Other military services
- Governmental agencies
- International organizations
- Non-governmental organizations
- Chambers of Commerce
- Academia
- Policy think tanks
- The private sector

DISCUSSION

The conference consisted of a series of individual presentations, panel discussions, and collaborative group breakout sessions, with questions and answers throughout. This format was selected so that all attendees would have the opportunity to actively participate in the discussion. The Roundtable provided the 1st Cavalry Division leadership with current knowledge of economic conditions in Iraq, ongoing reconstruction plans and programs, and the roles and functions of the major organizations engaged in SSSTR efforts.

This economic roundtable began with an overview of the Iraq economy presented by Mr. Todd P. Schwartz, Director, Office of Iraq Economic Affairs, U.S. Department of State. In 1980, Iraq was one of the most prosperous countries in the Middle East with a per capita income of \$3240. Today, per capita income has dropped to around \$1000. The official inflation rate is 18 percent, and the unofficial rate is just over twice that much (40 percent). Iraqis are losing faith in their own currency, the Dinar, and are using American Dollars. The lack of a solvent national banking system is hampering efforts in this area.

Mr. Schwartz further discussed the three major ongoing projects with respect to the economic development of Iraq: the Baghdad Security plan, the Ministerial Capacity Development Program, and the International Compact with Iraq. The Baghdad Security plan is based on the “Clear-Hold-Build” U.S. strategy for Iraq and is essential to empowering local economic development. The Ministerial Capacity Development Program’s principle goal is to help develop an effective transparent bureaucracy. Finally, the International Compact with Iraq is an effort to collect on the international communities’ pledges of support for investment and development in order to reverse the two decade downward trend of the Iraq economy. Iraq was a major exporter of not only

petroleum products, but also of agricultural products, and clearly possesses the resources and ability to regain this stature.¹

A short introduction by PKSOI on its mission and vision set the stage for an update on a current project on coordination and information sharing between the Ministerial Assistance Teams (MAT) and Provincial Reconstruction Teams (PRT), followed by a short discussion of electricity in Iraq.

The ongoing project on collaboration and information sharing between the MATs and PRTs is clearly a critical component supporting the establishment of a self-sustaining Iraqi government. Unfortunately, the current status of both the MATs and PRTs is severely constrained by political and operational realities. Both MATs and PRTs are civilian-military teams supported by the U.S. military and various other U.S. Government agencies and contractors. Of the 33 Iraqi ministries, 10 have MATs. Out of these 10 teams, 8 are supported primarily by the Department of State (in blue), and 2 primarily supported by DoD (in green).

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Political realities that negatively impact on the U.S. ability to help develop effective bureaucracies include lack of resources to staff more MATs, and some ministries being unreceptive to MATs. As part of the Unity Government, ministries were allocated to various political or religious parties. Several ministers are hard line Sadrists with a rather high level of mistrust towards the Americans and the MATs.

The operational reality that hinders both the MAT and PRT ability to function, first and foremost, is the security situation. Most ministry buildings are located outside of the International or “Green” Zone in Baghdad, and several ministries are in Sadr City. Travel for the MATs is difficult, and likewise travel for Iraqis from those ministries into the Green Zone is hazardous.

¹ Todd P. Schwartz, Office of Iraq Economic Affairs, U.S. Department of State, remarks at the 1st Cavalry Division In-Theater Business Transformation Roundtable, 25 Sep 06.

The PRT program, like the MAT program, is incomplete and currently does not cover all of the 18 Iraqi provinces or governorates for some of the same political and security concerns that hinder MATs. The U.S. currently heads up seven PRTs: Al Anbar, Babil, Baghdad, Diyala, Ninawa, At Ta'mim, and Salah ad Din. Coalition partners head up two: Al Basrah (UK) and Dhi Qar (Italy). Support for some provinces is provided through a regional hub. The Regional Embassy Office (REO) Hillah, located in Babil, is providing support to Karbala, Najaf, Qadisiyah, and Wasit. Some support is also provided to the three predominately Kurdish provinces from an office in Arbil.

The MAT and PRT programs are a critical part of the political and economic development of Iraq. Increasing Iraqi transparency and accountability, improving the Iraqi bureaucracy, and strengthening the Iraqi capacity for administration must remain part of a whole of government approach to improving Iraq and making it functional and self-sustaining.

CONCLUSION

The interdependence of economics with governance, rule of law, security and delivery of essential services adds to the complexity of economics at an exponential rate. The dynamic security and political environment make large scale economic plans and programs susceptible to a range of disruptive variables. Assisting deploying units in understanding these issues is only the first step. Subsequent economics round tables should provide substantive lessons learned from like-level units with recent experience in the area of operations.

This and other PKSOI publications can be found on the USAWC/PKSOI site at <http://www.carlisle.army.mil/usacsl/IPapers.asp>.

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